1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

of further contributions to them. The Assyrians still in 'Iraq, to whom conscription was now applied without disturbance, were established in villages neither overcrowded nor unprosperous, and were reluctant to move. The 'Iraq Government officially assured the League that their status as 'Iraqi citizens was secure; but the return to 'Iraq of the Mar Sham'un, who had taken British nationality and now lived in Cyprus, could not be considered.

The forward movement of foreign trade and prosperity which had marked the period 1935–7 was notably checked in 1938. Produce prices fell, Government's capital-works allotments were overspent, and the later days of the Madfa'i Ministry were financially unhappy. Nevertheless, a monopoly for (packed) date exports was awarded by the Baṣra Date Board to a British firm, Messrs. Andrew Weir, and arrangements for the tobacco monopoly approached finality. The Agricultural and Industrial Bank was prolific of projects, a Cement Company invited funds from the public, and Government remained ambitious to erect its own oil refinery. A concession for the oil of Baṣra wilaya—more strictly, of all 'Iraq-territory south of the two existing oil-concession areas—was granted in 1938 to the Basra Petroleum Company, an *ad hoc* creation of the I.P.C. group, upon terms similar to those governing the B.O.D. concession of 1932. The Banco di Roma opened a branch in Baghdad early in 1938. A British adviser was recruited for the Ministry of Communications and Works, G. N. Loggin, of the Egyptian service, in succession to Wheatley who had retired—a serious loss—in 1937, and an expert with long Egyptian experience, J. D. Atkinson, was secured in 1939 for Irrigation, where he remained for seven years. Ward, remaining as Port Director till his death in 1942, gave up the Directorship of Railways early in 1939; he was succeeded for a year and for six months respectively by Loggin and by C. F. Nicoll, after which the post was held, for nine years from 1941, by H. C. Smith. E. G. Hogg retired from the Financial Adviserships in 1939, leaving the post vacant for two years thereafter.

In the field of foreign relations, agreements were concluded, on bedouin rights and on commerce respectively, with Sa'udi Arabia and with Egypt. Turkey was blamed for its pressure to obtain Alexandretta and its sanjaq, which were held to be Arab. Major demonstrations in Baghdad, to be repeated in 1939, condemned the French for the shortcomings of their policy in Syria. A commercial treaty was signed with the United States, though American Zionist sympathies were not unsuspected. The Vatican appointed another Apostolic Delegate to Mosul, this time a Dutchman. Diplomatic relations were opened with Belgium and Hungary. The King of Italy was recognized as Emperor of Ethiopia, and

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

British forces for their own needs, in part acquired by the United Kingdom Commercial Corporation for export to Great Britain or other territories, and in part exported by normal trade channels now regulated by export control. The date crop was still handled for export by Messrs. Andrew Weir & Co. The cotton which Japan ceased to take after 1941 was sent to India, but in quantities which high grain prices had much reduced; production touched 26,000 bales in 1940, but thereafter dropped for the next nine years to a fifth or even a tenth of that amount. Wool was sent to America, but with this and all other commodities both internal movement by land and water and the provision of shipping space from Baṣra presented difficult problems. A quantity of produce went by rail to the Levant and Turkey, and animals on the hoof, in years of good grazing, were sent to the British forces in Syria. The prices of all commodities were fixed in terms of imperious war necessity and of ever-growing 'Iraqi inflation, to which these prices contributed.

The import of manufactured articles and certain foodstuffs was limited to quantities below the level of satisfaction, thanks to reduced outputs in the supplying countries and to pressure on shipping space. Help was forthcoming more than once from American lend-lease stocks of drugs, metal goods, tyres, chemicals, and agricultural implements; Paiforce at times could help to meet an urgent shortage, and the British Government organized an emergency grain supply in 1942 from India and Canada; but, as in every country, abiding and irksome shortages remained, aggravated by maldistribution and by a habit of hoarding against which the law and public opinion strove equally in vain. The need at all costs to obtain supplies led to the urgent search for sources to replace Japan and other belligerents. An import licence system was established which, vastly profitable to some, worked with its share of imperfections and abuses; a price-fixing procedure was applied over a wide range of articles, with an attempted control of stocks enforced by occasional raids and prosecutions, but avoided by widespread black-market trading; and a rationing system, first applied to sugar in 1942, was extended next year to coffee and tea and later to cotton and woollen textiles. This control by ration-cards, based on imperfect tribal and urban lists, was a matter of extreme difficulty and gladly abandoned at the earliest moment; nor were the resulting stocks ever sufficient to admit an adequate allowance to the tribal public. Nevertheless, the rationing of essentials was both indispensable and attended with fair success. Late in 1944, in expectation of the war's end and by reaction from the attempted régime of universal close control in 1943–4, a policy of decontrol was substituted, and one commodity after another

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

Had it been possible for broader views on practical economic internationalism to prevail in 'Iraq and its neighbours, valuable lessons could perhaps have been drawn from the operations of M.E.S.C.

The shortage of goods, the high price of local produce, and the abundant military expenditure could not be without effect on living standards. Until the middle of 1941 the country's economy was almost normal; prices rose little and currency in circulation had scarcely increased. But thereafter conditions quickly deteriorated. A poor harvest, the decrease in imports, and military expenditure produced conditions of menacing inflation. Government had no better solution than half-hearted and unenforced regulations to deal with the problems of procurement, control, and distribution, which in a few weeks became urgent. The cost of living rose in 1942 to a level of three or even four times that of 1939. The volume of currency in circulation rose threefold, then sixfold, while bank deposits increased correspondingly. Government, happy to receive the greatly increased revenues which rescued it from the alarming penury of mid-1941, was unwilling to adopt strong measures to drain off purchasing power by higher taxation, or by loan issues (until 1945), or by the sale of State lands save on a trifling scale: was unwilling, indeed, to adopt the firm but unpopular measures for which the situation called. Some sales of gold and of diamonds made available by the British Government could do little to correct the position. A slight improvement, thanks to an abundant harvest and lower export-prices, was achieved in 1943 and prevented a further rise of living costs, already six times those of 1939. But the armistice found conditions in the territory scarcely less inflationary, and the tone of its society scarcely healthier.

Government finance in war-time pursued an abnormal course. The three years 1941–3, in spite of high costs, showed useful surpluses; foreign debts could be paid, war-time allowances were made to officials, and development plans were viewed hopefully. But the two following years gave a less happy result; Government revenues did not keep pace with expenditure, the social services and the Police were allowed to expand, and officials multiplied. Normal expenditure, ID 8 million in 1939, reached ID 15 million in 1943 and ID 21 million in 1945. This last year found 'Iraq approaching a financial position less sound than it appeared. The separate finances of the Railways and the Port of Baṣra were highly prosperous throughout the war.

'Iraq's first internal loan, issued early in 1945, was in two parts. The first was a loan of ID 1 million bearing 2 per cent. interest for twenty years, and 2 per cent. in lottery prizes; the second was of

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

for three or four days. In packing and grading, growers do not separate the bottom, middle and top leaves or take care that packing takes place only when the moisture content and the pliability of the leaves are just right.

The second reason for the poor quality is inadequate grading and manipulation by the Monopoly. Tobacco is graded for the Monopoly by committees whose members are generally untrained. Classification is by color only and a bale given a single grade often has tobacco ranging through all shades of green, yellow and brown. Influential cultivators, or merchants acting on their behalf, can often obtain grades for their tobacco unwarranted by its merits. Thus the grading system offers little or no incentive to the grower to produce the best possible tobacco. Finally, the Monopoly stores tobacco under conditions which contribute to its rapid deterioration. Warehouses are often exposed to the elements and are without temperature and humidity control so that tobacco may alternately ferment and dry out. Little re-grading or manipulation is done in warehouses.

Farmer Income from Tobacco

Whether the Kurdish farmers have on the whole obtained an adequate income from tobacco is less easy to determine. Their income from tobacco has depended on (1) the amount of tobacco purchased from each year's crop by the Monopoly and the prices (less *istihlak* and land tax) paid, and (2) the amount of tobacco sold illicitly and the prices realized thereon. Unfortunately, not enough data are available to permit an estimate of the income of tobacco farmers. Data on prices paid by the Monopoly for the first three years of its operation are lacking; figures on total tobacco production, from which the amount marketed illicitly might be deduced, do not exist; and little or nothing is known about the prices realized on tobacco marketed illegally.

During the war the Monopoly, which was supposed to equate the supply of tobacco with demand by licensing the area under cultivation, apparently made no real effort to use licensing as an instrument for the restriction of production. The area licensed rose steadily from 28,014 donums in 1940 to a peak of 71,730 in 1944. In the period 1943-45 the income of farmers was also considerably

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

249 435 666 increased by classifying a much larger proportion of their output as "extra" or "first" grades which, of course, fetched higher prices. At the same time the Monopoly boosted the prices paid for the 1944 crop to a level more than twice as high as those which had prevailed for the 1943 crop. For the 1945 crop it lowered its prices somewhat but still maintained them at a level approximately twice as high as in 1943. As a result the Kurdish farmers reaped a bonanza. Whereas the Monopoly paid only ID 634,005 for the 1943 crop, it disbursed ID 3,208,032 for the 1944 crop and ID 3,608,997 for the 1945 crop (see table).

TABLE 1

LICENSING AND PURCHASING OPERATIONS OF THE TOBACCO MONOPOLY

Year	Donums Licensed	Prices Paid for Each Grade (1943 = 100)				Total Purchases	
		Extra	First	Second	Third	Quantity (kg)	Value (dinars)
1943	57,747	100	100	100	100	4,080,787	634,005
1944	71,730	247	233	229	250	8,863,022	3,208,032
1945	34,797	210	198	194	211	12,582,734	3,608,997
1946	26,818	140	151	183	214	4,395,166	746,499
1947	19,225	154	167	202	236	4,231,320	757,152
1948	15,500	140	151	183	214	4,347,639	772,729
1949	15,500	140	151	183	214	6,621,905	1,326,291
1950	16,000	140	151	183	214	n.a.	n.a.

Beginning in 1946 the Monopoly began to retrench sharply. The area licensed was reduced successively to 19,225 donums in 1947 and 15,500 in 1948, and it has since been held to approximately this level. Prices were also lowered to some extent. Most important of all, a stricter grading policy was adopted, resulting since 1946 in the virtual elimination of purchases of the "extra" grade and substantial reduction in the proportion of "first" grade tobacco purchased. As a result the Monopoly's disbursements for purchases from the 1946 crop fell to only ID 746,499. They have since been maintained at approximately this annual level except for the amount paid for the 1949 crop which amounted to ID 1,326,291. The quantity purchased of each year's crop fell from a peak of 12,600,000 kilograms in 1945 to about 4,400,000 in 1946,

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

4,200,000 in 1947, 4,300,000 in 1948, and rose again to 6,600,000 in 1949. Actually, the Monopoly by no means fully enforced its announced policy of buying no more than the maximum amount that the licensed area could ostensibly produce.[4] Its purchases exceeded the ostensible maximum by about 400,000 kilos for the 1947 crop, 1,200,000 for the 1948 crop and as much as 3,500,000 for the 1949 crop. Much of the 1946, 1947 and 1948 crops evidently found their way into the black market.

Because of the danger of growing stocks, the Director-General, supported by the Prime Minister, issued a warning in advance of the 1950 crop that in the future no more tobacco would be bought than could be produced on the licensed area. Evidently the Monopoly carried out this policy for, up to April 12, 1951, it had bought only 2,250,000 kilos from the 1950 crop out of a theoretical total of 3,200,000 kilos. Since the cultivators apparently did not take the government's declared intention seriously, the actual crop substantially exceeded the permissible total. However, farmers were apparently compelled to sell their surplus illicitly at very low prices, thus giving rise to an expectation that in the next years the limitation on production will be more generally observed. If so, it seems likely that farmers' receipts from tobacco will amount to between ID 600,000 and ID 700,000 per year at prevailing Monopoly prices.

In general, it can probably be said that farmers received more for their tobacco than they would have obtained in the absence of the Monopoly. Since the tobacco produced is generally poor and therefore is unable to find foreign outlets, it is likely that, in the absence of the Monopoly's price support and production control program, prices would have been substantially lower. At the same time, the farmers suffered from the rather erratic policies of the Monopoly which permitted them to realize very high incomes during some of the war years and let them down suddenly immediately after the war.

Tobacco Monopoly Revenues

The government has undoubtedly enjoyed considerable income from the Monopoly. In any discussion of this subject a distinction

[4] The Monopoly has operated on the assumption that each licensed donum would produce up to a maximum of 200 kg. of tobacco.

5: Harrison D-4 (1912-1924) 1924 M1 Middle East
Iraq MH1

well as many western food products, such as candies and fancy crackers. The country is lighted by kerosene oil, much of which comes from America. Numbers of automobiles are to be seen, and in some places even electric lights. All these things represent the gratification of wants that did not exist previous to the entrance of western influence.

There has also been a development of the export trade of the country. However, the articles for export are not many nor of great amount. Dates are the principal product, together with a certain amount of wheat and rice and some hides and wool. In the long run, of course, no more can be brought into the country than is sent out of it, and the trade of Mesopotamia cannot increase to any great figure until her own natural resources are developed.

Just how far these various modern improvements will go remains to be seen. If the British continue in power, there is no doubt that material development will be steady and sound. If they evacuate the country and leave it to an independent local government, progress will be much slower, to say the least. During the war wages went up to fabulous heights, and although prices of food and rent advanced even more, there is no doubt that the sum total of the war's influence was to raise the standard of living in the cities and to stimulate enormously the desire for many western products and for western education. Just now there has been a very sharp reaction; times are hard, work is scarce, wages are poor. Everything western is discounted, and the cry is for an independent national development with the elimination of every foreign influence. The common people long for the golden days of the Turks, forgetting with a completeness quite as-